TEEKAY SHIPPING (CANADA) LTD.

Moderator: Emily Yee
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10:00 am CT

Operator: Welcome to the Teekay Corporation's Third Quarter 2015 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question-and-answer session. At that time if you have a question participants will be asked to be press star 1 to register for a question. For assistance during the call please press star 0 on your touch-tone phone.

As a reminder, this call is being recorded. Now for opening remarks and introductions, I would like to turn the call over to Mr. Peter Evensen, Teekay's President and Chief Executive

Cameron Crichton: Before Mr. Evensen begins, I would like to direct all participants to our website at www.teekay.com, where you will find a copy of the third quarter 2015 earnings presentation. Mr. Evensen and Mr. Lok will review this presentation during today's conference call.

Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the third quarter 2015 earnings release and earnings presentation available on our Website.

I will now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you Cam. Good morning everyone good morning everyone and thank you for joining us today for Teekay Corporation's third quarter of 2015 earnings call. I'm joined this

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morning by our CFO Vince Lok and for the Q&A session we also have Chief Strategy Officer Kenneth Hvid and our Group Controller Brian Fortier.

During our call today, we will be talking through the earnings representation, which can be found on our website. Turning to slide 2 of the presentation, I will briefly review some recent highlights for Teekay Corporation.

Teekay Parent generated strong free cash flow of $59.8 million, or 82 cents per share in the third quarter, an increase of 21% from the previous quarter as our general partner and limited partner cash flows benefited from the drop-down sale of Knarr FPSO and the associated 4% distribution increase declared by Teekay Offshore, resulting in a strong coverage ratio of 1.49 times for the quarter. With completion of Knarr FPSO drop-down Teekay Parent transitioned into a pure play general partner, controlling two MLPs is now largely complete.

The drop-down allowed us to increase Teekay Parent's dividend by approximately 75% to 55 cents per share, which equates to an annualized rate of $2.20 per share in the second quarter of 2015 and helped to significantly reduce Teekay Parent's net debt by approximately $900 million to $652 million as of September 30, which further strengthens Teekay Parent's balance sheet. I will touch on this more in detail later in the presentation.

Teekay Parent's new dividend policy that was implemented in the second quarter links future dividend increases to the growing dividend cash flows, we received from our daughter entities. With a robust pipeline of approximately $6.2 billion of current known growth projects at our daughter entities stretching to 2020, and additional growth projects that our daughter entities are pursuing, we are targeting Teekay's dividend to further grow by an average of 15% to 20% per annum for at least the next three years.\

Lastly, this morning we announced an opportunistic $200 million 144A add-on bond offering to our existing 8.5% bonds which mature in January of 2020. The net proceeds will help to rebuild Teekay Parent liquidity after we use cash to repay our $123 million Norwegian krone bond that matured in early October, as well as increasing our financial flexibility. With the anticipated sale of the remaining fixed offshore and shipping assets, we remain committed to becoming near net debt free by end of 2017.

Turning to slide 4, I will review summary some recent highlights from our three publicly traded daughter entities. For the third quarter, Teekay LNG Partners declared a cash distribution of 70 cents per unit. Based on our GP and LP ownership interest, the cash flows received by Teekay Parent and TGP totaled $26.4 million for the quarter. In October, Teekay LNG's LPG joint-venture with Exmar took delivery of the fifth of its 12 mid-sized LPG carrier newbuildings, which formed part of the joint-venture’s fleet renewal and growth strategy.

This vessel is currently providing ammonia transportation services under ten-year charter with Potash Corporation. Looking at our other MLP, Teekay Offshore Partners increased its quarterly cash distribution by 4% declaring a cash distribution of 56 cents per unit for the third quarter. Based on our GP and LP ownership interest, the cash flows received by Teekay Parent from TOO totaled $29.8 million for the quarter, an increase of 65% from the previous quarter, due to the issuance of $300 million of new LP units to Teekay Parent in connection with the drop-down sale of Knarr FPSO, as well as the associated 4% distribution increase.

In early September 1, one of Teekay Offshore’s existing shuttle tankers, then Navion Hispania commenced operation on the East Coast of Canada, which is expected to provide additional distributable cash flow growth in the fourth quarter.

Earlier this year, the partnership took over as a sole provider of shuttle tankers to the oil companies operating offshore in East Coast Canada. The first chapter of what we expect to be a

decade's long relationship in this growing oil area is already being written as we're constructing three Suezmax size DP2 shuttle tanker newbuildings which will serve under the 15-year contract and deliver in 2017 and 2018.

Until there is delivery, the partnership will continue to in-charter two shuttle tankers to service the area's transportation requirements. Teekay Offshore continues to secure long-term debt financing for its portfolio of growth projects with the recent completion of a new $185 million long-term debt facility to finance the four state-of-the-art long-distance towing and offshore installation vessel newbuildings currently under construction, which are scheduled for delivery throughout 2016.

For the third quarter, Teekay Tankers declared a fixed dividend of 3 cents per share. Based on our total ownership of Class A and Class B shares, Teekay Parent received a cash dividend of $1.2 million. Teekay Tankers continued to generate strong free cash flow of $59 million or 44 cents per share, despite the seasonally weak third quarter. During the fourth quarter to-date crude spot tanker rates have strengthened and remain firm. We expect crude spot tanker rates to increase further for the remainder of 2015 and into the first quarter of 2016.

In early August, Teekay Tankers announced a strategic acquisition of 12 modern Suezmax tankers for total cost of $662 million and the last vessel delivered into the fleet on October 15. With the well-timed delivery of Teekay Tankers' newly acquired fleet into the rising spot market and the strong rates we see going into 2016, the company expects to continue earning significantly free cash flow, which will help further reduce its balance sheet leverage.

And the company announced plans to review its dividend policy with Teekay Tankers' Board of Directors in December 2015, which if increased would provide additional free cash flow to Teekay Parent.

Turning to slide 5, as I touched upon in my opening remarks, with the drop-down sale of the Knarr FPSO, Teekay Parent is at a positive inflection point, with a delevering balance sheet and increasing free cash flow. Over the past three years, Teekay Parent has completed over $2 billion of drop-down sales to Teekay Offshore and has significantly delevered its balance sheet to $652 million as of September 30.

Looking ahead, with the anticipated sale of Teekay Parent’s remaining assets to Teekay Offshore or third parties over the next two years, Teekay Parent expects to become near debt free by the end of 2017. During the same timeframe, Teekay Parent’s free cash flow has continued to grow with the restart of the Banff FPSO in mid-2014, increasing general partner and limited partnership cash flows from our two MLPs, and the strong tanker market.

Looking ahead, we expect Teekay Parent’s free cash flow will continue to grow as our underlying MLPs continued to deliver on their robust pipelines of profitable and accretive growth projects and if Teekay Tankers’ increase its future dividends.

With that, I’ll turn the call over to Vince to discuss the Company's financial results.

Vince Lok: Thanks Peter. Turning to Slide 6, we have provided a comparative summary of Teekay Parent’s Q3 and Q2 free cash flow. Our total free cash flow is separated into GP cash flows comprised of the distributions received from our daughter entities, net of corporate G&A and OPCO cash flows of Teekay Parent’s legacy operating assets. Overall, Teekay Parent’s free cash flow increased by 21%, resulting in a strong coverage ratio of 1.49 times.

GP cash flow from daughter distributions in Q3 increased significantly compared to the prior quarter, primarily due to higher distributions from Teekay Offshore as a result of Teekay Parent taking back $300 million of Teekay Offshore common units in connection with the drop-down sale of the Knarr FPSO in July and the associated 4% distribution increase by Teekay Offshore.

Corporate G&A was lower in Q3 compared to the prior quarter mainly due to timing differences. In Q3, OPCO cash flow decreased to $6 million from $8.3 million in the prior quarter primarily due to the dropdown of the Knarr FPSO on July 1st to Teekay Offshore, lower revenues from the Foinaven FPSO due to a planned maintenance shutdown in the third quarter and lower spot tanker rates, partially offset by $14 million of business development fees Teekay Parent received from Teekay Offshore in connection with the Knarr FPSO, Logitel, and towage transactions.

As a result of the above, total free cash flow was approximately $60 million or 82 cents per share in Q3 compared to $49.5 million or 68 cents per share in Q2. The Q3 free cash flow which included $14 million in business development fees from TOO was well above our new quarterly dividend of 55 cents per share, resulting in stronger distribution coverage ratio of 1.49 times in the third quarter compared to 1.24 times in the second quarter.

Looking ahead, we expect GP cash flows to be consistent in Q4 compared to Q3. OPCO cash flows are expected to decrease slightly as Q3 included the business development fees I just mentioned which will be partially offset by the Foinaven operational incentive revenue recognized annually in the fourth quarter of each year which we currently estimate to be approximately $10 million to $12 million this year. As a result of the above, we are expecting a slightly lower dividend and coverage ratio in Q4 compared to Q3, but still above our target range.

For details on our Q4 outlook on Teekay's consolidated results, please refer to the appendix to this presentation.

I'll now turn the call back to Peter to conclude.

Peter Evensen: Thank you, Vince. Wrapping up today's call on slide seven, Teekay Parent's current cash flow is supported primarily by the stable and growing cash flows received from our two MLPs.

Growth in cash flow at Teekay Parent is supported by the large diversified portfolios of long-term fee based contracts on existing assets and projects in construction which totaled approximately $11.3 billion for Teekay LNG and $8.2 billion for Teekay Offshore measured in forward revenues.

Our contracts are not directly linked to commodity prices and we are a critical component of our customers' oil production and logistics chains and of course the revenue generation.

Looking ahead, with the continued weakness in the energy space and MLP markets including Teekay LNG's and Teekay Offshore's equity valuations, our two MLPs have adopted a new approach to future growth beyond the growth that we already have. First of all, our two MLPs have increased their hurdle rates for new projects which takes into account both their ability to build and operate at a lower cost and their slightly higher all-in cost to capital.

Secondly, our two MLPs are prioritizing capital allocation first to their existing assets for contract redeployment and extensions followed by high-quality on-the-water M&A opportunities over large organic growth projects. With continued growth in LNG trade, requirements for more floating regasification and growth in offshore production, our two MLPs continue to seek new opportunities for higher return growth.

Lastly, we continue to have access to competitive bank financing and multiple capital markets, including our recent signing of a $1 billion framework cooperation agreement with the Export-Import Bank of China to finance the construction or conversion of vessels from shipyards in China over the next three years along with our MLPs securing over $1.1 billion of long-term debt or lease financing to fund a portion of their remaining capital commitments. And we remain committed to our plans for Teekay Parent to become near net debt free by the end of 2017.

Thank you all for joining us on the call today and Operator, we're now ready to take questions.

Operator: thank you. Ladies and gentlemen, if you would like to ask a question please press star 1 on your touch-tone phone. If you are using a speakerphone please pick up the handset before pressing any keys. Once again, if you would like to ask a question please press star 1.

And our first question comes from the line of Michael Webber of Wells Fargo. Please go ahead.

Michael Webber: Hey good morning guys. How are you?

Peter Evensen: Good. Thanks.

Michael Webber: Peter, just wanted to start off with a question maybe just some color around the bond deal that I believe was announced this morning, the $200 million tack-on to the existing issue. Can you give some color around the thought process there and I guess how you see that folding into the existing cap structure and why that was a better option and I guess other leverage options?

Peter Evensen: Yeah, thanks for asking. But securities laws actually prevent me from discussing the bond dispute beyond what I've said in my prepared remarks, but I think I pretty much covered it in my prepared remarks.

Michael Webber: Okay, fair enough. You mentioned TNK floating their or I guess revisiting their dividend policy later this winter and you talked about this cash flows in a bit I guess previously, but I guess as it stands now considering it is I guess bit of a different environment, I am curious how are you guys thinking about the use of those cash flows at the parent level what do they eventually get folded in to the dividend methodology, use of cash to delever more I guess may just a long term how do you think about that considering it is a bit of different silos and save the operating cash you have at the parent which would eventually probably go down the daughters.

Peter Evensen: Sure. If Teekay Tankers increases its dividend which they are going to take up with their December board meeting, the amount that we receive is 26% owner. It is not that significant compared to the amount we receive from the two MLPs. So we would add that in, but that only goes to further support the 15% to 20% target that we have to grow the Teekay dividend.

Michael Webber: Okay, that's fair. Just in looking at the daughters and I guess in the opportunities you guys see within the LNG space and the offshore space right now, one, if you just take a 30,000 foot view of it, Peter, can you may be kind of weigh the different opportunities you are seeing in LNG or an offshore in terms of how you think capital will eventually be allocated or I guess in terms of where you are seeing the more interesting opportunities right now and then relative to the kind of the current cost of capital across your entire MLP space, how you think about utilizing the parent in that scenario.

Peter Evensen: Sure. I will cover the general and the gas and I will ask Kenneth to come in on the Offshore. So in general what you've seen us do is that when we've looked at acquiring assets, we are looking to acquire assets with contracts.

And we had previously spent most of our time looking at competitors, but now speaking with our oil company customers, we are spending more time working with our customers who we think in the current low oil price environment are attracted to having Teekay own and operate their infrastructure assets rather than do it themselves and it's a better use of capital for them not to own those assets, infrastructure assets and instead we dedicated back to their upstream and so that's our focus right now.

On the LNG and LPG space, we think that gives us opportunities with customers, but we are not looking to buy the distressed type of entities. We are looking to buy quality operations with customers in sale lease back transactions in which we can get long term contracts. That's what both of the MLPs are predicated on. And we can see that customers want Teekay that can

operate safely and that's why we are having this huge focus on lowering our cost, because that makes us more relevant. So that's how we are approaching it on the gas side. Kenneth, you want to weigh on?

Kenneth Hvid: Yeah and it's really must save on the ultra-side what we are primarily focused on is leveraging our operational platform in the North Sea and Brazil where we are really driving cost synergies at the moment and we can see that as an attractive platform for other units to be folded into.

So when we look at capital allocation in addition to the pipeline we already have of the $2.6 billion of new projects, we are first looking at how we can employ units that we already have in our fleets either by modifying them or upgrading them and that gives us a faster and more cost efficient solution to the customers and that's exactly what we are hearing in conversations with them that they want at the moment.

Nobody wants the very big solutions for medium sized fields. They want something that's quick and can be employed in a cost efficient way and that's where we think our fleet is well positioned to really cater for those needs.

And then secondly, we have on previous calls talked about that we are still very focused on our customers that wish to restructure their balance sheets, look at selling our their FPSOs in particularly and leasing them back. And we think we are in a strong position to do that. So I would say those two are our first priorities in terms of growth over projects that are more organic and later startup nature.

Michael Webber: Fair enough. And Peter, if I just kind of - if just go back to that for a second and I'm not going to try anything here, but just from a perspective - just kind of gain some perspective or

some context around this, if you were to say roughly dollar way kind of be realistic opportunities you were saying right now, how would that split work out between LNG and offshore?

Peter Evensen: Each one has their own balancing, so they can - so it isn't that I sit and wake them. Each one has to work and be accretive. The other question you asked was whether we would utilize Teekay Parent, which we have done in the past and that is not our plan. Our plan is to continue with our strategy of becoming a pure play GP and not owning fixed assets upstairs.

Michael Webber: Got you. And just one more and Peter, just kind of around that, you mentioned I guess generally being net free, I believe you said 17 in your remarks, which is kind of - it seems like it's a kind of core multiyear plan here. I guess, how do we think about the Parent's wherewithal could provide vendor financing, could facilitate kind of continued growth at the MLPs in that scenario, I guess, it's kind of derivation of the comment you just made, outside of warehousing assets, which seems like it's a function of the past. I am just curious around kind of assisting the MLPs in terms of vendor financing.

Peter Evensen: I think that is something we employed clearly on - a little bit on Knarr and all of that. That isn't our preference in order to look at that. Our preference is that the daughters should be self-financing. And we haven't really setup Teekay Parent, so that it can act really as a warehouse going forward. So that is certainly not our preference going forward.

Michael Webber: Okay. All right, I'll follow-up offline. Thanks for the time guys, I appreciate it.

Operator: And your next question will come from the line of Fotis Giannakoulis of Morgan Stanley. Please go ahead.

Fotis Giannakoulis: Yes, good morning guys. Peter, you just mentioned that about the refinancing of the Knarr, if I understand well, there was about $100 million credit to Knarr, is that correct? And can you tell us when you will be using that this will be paid back?

Vince Lok: Hi, Fotis, yes, you are correct, there is about $100 million as vendor financing still remaining relating to the Knarr sale. That vendor financing doesn't mature until sometime in 2016, so there is plenty of time for that to be repaid.

Fotis Giannakoulis: Okay, thank you, Vince. And regarding your dividend growth target, obviously you said you are - you have adjusted the hurdle rates for new projects for the daughter companies. How that - what kind of impact does it have on your growth targets. You were saying that you mentioned still at least 20%. How can this be achieved? Is it because this 20% is based on projects that they have already been done or because of the higher debt financing that you're planning to get on your projects?

Peter Evensen: Well, it's really two different things. One is as what you just said, which is that we already have enough growth in the book for the next three years, '16, '17 and '18 and in fact, we have growth all the way out to 2020, so that's what why we can have that target. So that's what is connected to our target of 15% to 20% in the GP or Teekay Parent dividend based on the known growth that we have at MLP.

However, when we talk about changing around a future growth, that's growth beyond what we already have, so this is growth for 2018, 2019, and 2020 and we just have to recognize - we have to take account of the current macro oil environment and that's as Kenneth said, we are putting a much greater pressure on what kind of business we want to do, and in that regard we are sticking to our existing verticals or franchisees that we do business in, but we are becoming more relevant by trying to lower our cost, which we think we'll be successful in.

And in doing that we have the chance to pick up more business and get higher hurdle rate. So I guess I would say we are prioritizing the quality of the projects much more than the quantity.

Fotis Giannakoulis: Thank you, Peter. Can you also remind us what is your target coverage ratio for Teekay Parent, you're right now, close to 1.5 times? What do you expect that it should be in the future?

Peter Evensen: Hi, Fotis. As we laid out last year when we launched the new or announced the new dividend policy, our current coverage ratio targeted range is about 1.15 to 1.2. As you said, we are well above that, although in the third quarter there was, you know, some of that is related to business development fees. So we are ranging above that and we are expecting to be above that in Q4 as well.

Fotis Giannakoulis: Thank you. And one last question about your view on oil and how does this - the current low oil prices impact your FPSO projects, particularly in the North Sea. If you can give us an update of what are the reserves in the North Sea for your FPSO projects and what is your estimated breakeven? And I am not talking about your current contracts, but trying to get a feeling of when these contracts come to an expiration if these vessels, they can be redeployed at the same fields?

Peter Evensen: Well, most - what I always ask people is what was the price of oil ten years ago, and believe it or not, it was around $30 to $35. And so when most of our North Sea projects, (Defoinavin) in 1998, Banff and others came online, that people are working to a breakeven oil price of $15 to $20. So we have pretty competitive rates and the oil companies can make money on our North Sea.

So it's really just a question of what's the physical amount of oil in the ground. And we expect them to continue to extend and take out the - there is a lot of incentives with regulators in order to

get all the oil out of the ground and that's very true in both the UK sector as well as the Norwegian sector.

But what we have seen, which Kenneth alluded to is that people really want our written down units, which have a much lower capital investment rather putting on a new build FPSO, because the new build FPSO which could cost a $1 billion, that will have such a high breakeven price or contribute to high breakeven price that that field development won't go forward.

So we have seen a lot of reverse inquiry with people saying, hey, when will your existing FPSO come off market. And of course the best example of that was the (Petrial 1), our oldest FPSO which we are not upgrading for a five year contract down in Brazil. We will have a total invested cost on that including upgrades of about 250 million. It will have EBITDA of about $55 million to $60 million and so it was competing against the new building solution that cost four times as much.

And we were chosen and because we would have a lower cash breakeven for that field. Otherwise the field development wouldn't have gone forward. So our existing units are actually more relevant in a low oil price environment that in a high oil price environment.

Fotis Giannakoulis: Thank you very much, Peter.

Peter Evensen: Thank you.

Operator: Your next question will come from the line of James Jample of Hite. Please go ahead.

James Jample: Thanks for taking my call. Sorry if I missed this, but could you just give a little more clarity and go through one more time in terms of the new approach to future growth. I understood the part about increased hurdle rates, but in terms of organic projects versus on-the-water

acquisitions versus what type of organic projects might go through and which wouldn't. Could you just say that again and a little more clarity of that please?

Peter Evensen: Sure. So we receive tenders from around the around including Brazil in order to build new FPSOs that go on long terms contracts and we are not prioritizing. Those have the lowest priority for us right now which we've done before. The Knarr is the great example of that, but those projects don't yield cash flow for about three or four years.

And so what we are doing right now is prioritizing working with customers and buying and then looking to buy existing assets that are producing, Teekay will take over operations, run them cheaper than the oil companies and with the same safety regimen that people come to expect from Teekay. And in doing that, we will get a long term contract and the oil company can redeploy that capital into a more profitable part of their activity.

James Jample: Sure. And you mentioned something about not being in the market for distressed assets?

Peter Evensen: Yeah, we are - our offshore and our LNG, these are not companies that look to buy distressed assets, there is numerous offshore people that have some level of stress or distress, mostly in the exploration side. We are not interested in the exploration side. We're going to stay within our existing franchises, which are on the production side, because that's what oil companies are prioritizing and the biggest thing we can do right now is to help our oil companies keep their production up and then increase production.

So a lot of people ask us, well, Teekay, you've expanded into other areas, aren't you going to take advantage and try to buy some distressed offshore assets and I wanted to assure our investors that isn't our plan, most of those distressed things are on the exploration side, which is not of interest to us.

James Jample: Okay, thank you.

Peter Evensen: Thank you.

Operator: Your next question will come from the line of Amit Mehrotra of Deutsche Bank. Please go ahead.

Amit Mehrotra: Yeah. Thanks so much. Just wanted to get some thoughts on the 15% to 20% CAGR dividend growth target in relation to the coverage target at the parent level. And I know you sort of answered this in Fotis' question, but the fact is, you do have some tailwinds in the form of extra coverage over and above the target, and that's obviously a pretty powerful lever to - for your ability to sort of grow the parent dividend.

So could we expect you to pull that lever as we head into next year and maybe next year, the coverage is not that much above that 1.175 times target or would you rather prefer to sort of pat it out, given sort of the macro backdrop that weren't today? Thanks

Peter Evensen: Yes, certainly the coverage ratio is an additional lever that we can use. The coverage ratio was intended to be linked to the timing of when we dropped down the remaining FPSO assets, but given that we're above that target range right now, it is an additional lever. Of course, in addition to all the existing growth we already have in the daughter companies, which is the main driver of the future growth of the dividend.

Amit Mehrotra: Okay. Maybe, just one follow-up with respect to the net debt neutral by the end of 2017, and that sounds really good, but it's just asking you Peter if you think that's maybe, I guess, is that really an optimal structure at the parent level, given the visibility of the cash inflows that are coming in. Is there some relatively modest level of debt financing that the parent company should

have sort of at all times to maybe supplement the growth above and beyond what's locked in at the daughter companies?

Peter Evensen: Well, we think we're in a period of volatility and just as a general rule, we don't think that Teekay parent not having fixed assets should have debt. And so, I have heard people say, well, you could have some debt up there in order to make it work, but that actually isn't or you're more conservative than that.

So that's why our goal is to complete the sale of the sixth assets upstairs and when we complete that sale, then we are near net debt free and with the extra coverage ratio that we pick up, that gives us excess cash flow to become net debt free. So that remains our plan and we think that's the more sustainable way, which is what our investors are looking for that we have sustainable cash flows going up. So that's why we don't want to be in a situation where we add debt on top of the parent.

Amit Mehrotra: Right. Okay, that's very clear. Thanks very much. Have a good weekend guys. Thank you.

Peter Evensen: Thank you.

Operator: Your next question will come from the line of TJ Schultz of RBC Capital Markets. Please go ahead.

TJ Schultz: Great. Thanks. Just looking for any update on the remaining FPSOs at the parent on contracts or how you view the potential of timing to drop in the context, especially of kind of facilitating that debt reduction and considering TOO evaluation?

Peter Evensen: Yeah. I think that what you're hearing from us is we want to, and as you've heard from me before TJ is that I want - I think a dollar is a dollar and I want to maximize the value that we get for selling the FPSOs and the one conventional tanker that we have and I think that we --probably

in today's climate, people asked me yesterday on the calls would be reduce the price in order to make the deal more accretive, given that the cost of capital is higher at the MLPs.

And that actually isn't what we prefer. I think our shareholders would like us to contribute to the growth in an accretive way, and given the volatility that we've seen in the MLP prices, we think we can find a better time that will make the deal more accretive rather than just market down in order to make it accretive and that's our philosophy, which is why we're giving ourselves perhaps a little bit longer runway to drop the assets down.

But what you heard me say earlier about the FPSOs having greater value, if we can attach as you know better contracts that just means that they are worth more to our MLPs and therefore Teekay parent will make more money at the end of the day.

TJ Schultz: Okay, so just to be clear, the plan still is to drop them, just wait for a better market and ideally better contracts.

Peter Evensen: That is correct.

TJ Schultz: Okay. Just lastly, I know you're early in the dividend policy, but just any current thoughts on the potential to do buybacks, just given some of the excess coverage at the parent and that's it for me. Thanks.

Peter Evensen: That isn't part of our plan right now.

TJ Schultz: Thank you.

Operator: Your next question will come from the line of George Burmann of IFS Securities. Please go ahead.

George Burmann: Good morning, gentlemen. Thanks for taking my call and congratulations. Good quarter. Got a quick question on your consolidated adjusted statement of income. Could you quickly go into the appendix A. Item 1 here on the realized and unrealized gains on derivative instruments, which amounts like $94.3 million?

Peter Evensen: Hi, George, you typically see that each quarter that goes through our P&L, and that's basically most of that is related to unrealized gains and losses on interest-rate swaps that we use as economic hedges. So they have no impact on our cash flows. They're simply mark-to-market changes and given that interest rates have moved, they have moved down during the third quarter, so that's why you see unrealized losses in the third quarter.

George Burmann: Okay, so that doesn't affect your cash flow operating earnings in either way?

Peter Evensen: That's correct.

George Burmann: Okay. The previous caller asked about the stock buyback program, do you have any comments on where the price level, market value that your company stock is trading at the moment, you had a very nice top last year, when you announced intention to increase the dividends further and were basically half of that now. Do you think that's just due to the overall weakness in various other unrelated MLP market or what do you suggest, because it seems to me that as you said in your statement, you're not directly related to the share perform to lower oil prices?

Peter Evensen: Well, that's a great question. And since we have so many equity analysts, I think that's what they get paid to do. I get paid to create value and offer an asset. But I will just give my personal view that I think the - whole it's a macro move that the whole energy space has been affected. We saw this in ‘09 and that's why we're trying to stress the stability of our niche in the

energy market when - so we didn't make extra money when oil was at $100, but we likewise aren't losing money when oil is down at - in the 40s and 50s.

And so, but obviously everyone is concerned about the energy market now, but what we continue to see is that our customers require us to move their cargo and produce oil and that's what - that's our part of it. So where are the picks and shovels, if you will, and our customers, we can see a continuing need for that.

And we can also see that the depletion that you have on existing oilfields means that people have to really go and look for the big oil fields and the only place you can find those are offshore. Similarly, on the LNG side, we continue to see that there will be a net need for LNG carriers, just for the existing liquefaction that is being put in place and so we continue to see that our offshore and our LNG markets will continue to grow, albeit not as fast as people have thought.

George Burmann: Nevertheless, we seem to get punished the same way with lower oil prices.

Peter Evensen: Yes. But maybe it's an opportunity instead.

George Burmann: Yeah. As the parent to your daughter companies, are you allowed to acquire additional ownership interest in those, if prices were really, really, you know, ridiculous.

Peter Evensen: Yes, and in fact Teekay, as part of the dropdown for Knarr, we purchased $300 million of Teekay offshore and we just invested $75 million in Teekay Tankers and I would note for everyone on the call that we have never sold a share in any of our daughter companies. So we remain a long-term holder, interested in creating long-term value at our daughters and why because that's good for us as the general partner and controlling shareholder.

George Burmann: Excellent, thank you very much.

Peter Evensen: Thank you.

Operator: Gentlemen, there are no further questions at this time. Please continue.

Peter Evensen: All right, thank you all very much. We look forward to reporting back with you next quarter. Thank you.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.

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